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6 SEP 1974

Budget Call  
Transition Quarter  
1 July 1976 - 30 September 1976

Beginning with FY 1977 the fiscal year will run from 1 October (1976) through 30 September (1977). When the fiscal year changeover occurs there will be a three month transition period. Fiscal Year 1976 will end 30 June 1976 and Fiscal Year 1977 will begin 1 October 1976. The Congressional Budget Act specifies that this three month period be treated as a separate entity rather than as a part either of FY 1976 or FY 1977. The law says " (a) . . . the President shall prepare and submit to the Congress -- (1) . . . budget estimates for the United States Government for the period commencing July 1, 1976 and ending on September 30, 1976, in such form and detail as he may determine; and . . . (b) The Director of the Office of Management and Budget shall provide by regulation, order, or otherwise for the orderly transition . . . from the use of the fiscal year in effect on the date of enactment of this Act to the use of the new fiscal year . . . "

The Office of Management and Budget has not yet issued written instructions. We have been informed orally that we must present a budget covering the Transition Quarter by 1 October 1974. The apparent intention is that a minimum submission be offered sufficient to sustain operations, maintain continuity, and establish a record adequate to meet historical requirements, but simple enough to permit the Transition Quarter to be treated as though it were a separate and complete fiscal year without unduly encumbering the record keeping process. The implication of the legislation is that there will be a separate appropriation, that unobligated balances at the end of the Quarter will lapse, and that other normal transactions will be treated as they are at the end of a regular fiscal year. Accordingly we propose to submit a basic budget calculated at the rate of 25% of the Fiscal Year 1976 Budget deviating from that base only to the extent that deviation cannot be avoided. Because the emphasis is on maintaining stability and making the transition as simple as possible, we would not anticipate a need for detailed review by the Management Committee or the Director.

As a general rule, new initiatives will not be launched during the Transition Quarter but will be deferred until the first quarter of FY 1977

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and discussed in the response to the 1977 Program Call. Should there be instances where deferral is not practical, an explanation of the program, the requirement for it, and the changes by object class will be submitted. Justifications must explain specifically why the change is necessary and not simply describe what the change is. Contracts which ordinarily would be due for renewal during July, August or September of 1976 (the Transition Quarter) will be negotiated during the first quarter of FY 1976 (July, August, or September of 1975) for a 15 month period subject to the availability of funds and any other appropriate qualifiers necessary to cover the Transition Quarter. Because funds appropriated for the Transition Quarter will not be available for later obligation, planning should include careful consideration of procurement lead times, historical rates of obligation and other factors which might affect the ability of the organization to obligate the funds during that period of time.

We propose to submit budget estimates to OMB at the component level with positions and A.E. shown at the FY 1976 level. Personal services dollars will be computed at the A.E. level appropriate for the Transition Quarter plus one fourth of one percent for flexibility, and 50% of subobject class 1199 to cover the extra day's pay which will occur during the T.Q. Should a pay raise become effective before the budget for the Transition Quarter is submitted to OMB, we will cover it by a single separate entry.

The Summary of Obligations by object class will be presented at the component level computed at 25% of the FY 1976 figure except for personal services (subobject classes 1101 and 1145) which will be computed as described above. Deviations required in relation to new activities or to satisfy seasonal requirements, such as travel and external training, will be identified and explained.

The Office of Joint Computer Support will compute the figures for the Transition Quarter at the 25% rate and produce reports by component/FAN/subobject class for use by components in identifying necessary deviations. Deviations with the required explanations and supporting data will be submitted to the Office of the Comptroller for review and approval by the Director, if required. Components will be notified of any changes to their requests. Final figures will be compiled manually by the Office of the Comptroller for October submission to OMB in the budget for the Transition Quarter. Meanwhile OJCS will develop computer programs necessary to compile the historical data base and be ready to accept the inputs and produce the outputs necessary to meet the requirements for submission of the Congressional Budget for the Transition Quarter early in calendar year 1975.

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Schedule

11 September	OJCS distributed T.Q. Budget Estimates and Obligation Summaries by object class computed at 25% rate.
20 September	Components submit to Comptroller deviations with backup material.
1 October	T.Q. Budget to OMB.

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